

Press Release

Suryaamba Spinning Mills Limited

August 20, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 46.53 crore
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the bank facilities of Rs. 46.53 crores for Suryaamba Spinning Mills Limited (SSML). The rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

The Nagpur-based SSML is engaged in manufacturing of speciality synthetic spun yarns. The company manufactures 100% polyester, viscose spun yarns and blended synthetic yarns used for weaving fabrics. It caters to both domestic markets and exports to Brazil, Egypt, USA and Bangladesh, among others. Incorporated in 2007, SSML is ISO 9001:2008 certified organization, promoted by Mr. Virender Kumar Agarwal and family. The manufacturing unit is located in Nayakund (Nagpur) with an installed capacity of 43,500 spindles.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SSML to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

SSML was formed by demerging of one manufacturing unit of Suryalata Spinning Mills Private Limited in 2007. The company has an established track record of more than 10 years of operations in textile industries. Its promoters, Mr. Virender Kumar Agarwal and family, have been involved in manufacturing of man-made yarns for the past three decades.

Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

- **Moderate financial risk profile**

SSML's financial risk profile is moderate, marked by its moderate net worth, gearing and moderate debt protection measures. The net worth increased to Rs.34.41 crore as on 31 March, 2020 as against Rs. 29.42 crore in the previous year on account of increasing revenue and profitability levels, leading to higher accretion to reserves. The company's gearing is moderate at 1.15 times as on 31 March, 2020 as against 1.46 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 1.98 times as on March 31, 2018. The total debt of Rs.39.37 crore consists of long term debt of Rs.15.01 crore, Rs. 12.05 crore unsecured loans from promoters and Rs.12.67 crore of short term debt obligations.

Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.87 times as on 31 March, 2020 as against 2.32 times as on 31 March, 2018. Interest Coverage Ratio (ICR) and Debt Service Converge Ratio (DSCR) stood moderate at 3.14 times and 1.53 times in FY2020, respectively. Net Cash

Accruals/Total Debt (NCA/TD) stood at 0.25 times as on 31 March, 2020 as against 0.18 times as on 31 March, 2019. Acuité believes that the financial risk profile will continue to remain moderate on account of healthy cash accruals.

Weakness

- **Moderate scale of operations**

SSML's scale of operation stood moderate as reflected by operating income of Rs.162.19 crore in FY2020 as against Rs.168.74 crore FY2019 and Rs.153.03 crore in FY2018. The operating margins of the company stood healthy at 10.32 per cent in FY2020 as compared to 8.85 per cent in FY2019. This improvement in operating margin is mainly due to a decrease in raw material price. The net profit margin of the company also stood comfortable at 3.21 per cent in FY2020 as compared to 2.03 per cent in FY2019.

- **Susceptibility to fluctuations in raw material prices**

SSML operates in a highly competitive industry with several unorganized players which limit the bargaining power of the company. The prices of the main raw material for polyester yarn, i.e. purified terephthalic acid (PTA) and mono-ethylene glycol (MEG) are fluctuating in nature. Hence, profitability is susceptible to volatility in raw material prices.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity Position: Adequate

SSML has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.6.80 to Rs. 9.80 crore during the last three years through 2018 - 20, while its maturing debt obligations were in the range of ~Rs.3.90 to Rs. 4.40 crore over the same period. The cash accruals of the company are estimated to remain healthy during 2020-22. The company maintains unencumbered cash and bank balances of Rs.1.08 crore as on March 31, 2020. The current ratio of the company stood at 0.94 times as on March 31, 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual from the expected improvement in revenues and profitability levels.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	162.19	168.74
PAT	Rs. Cr.	5.20	3.42
PAT Margin	(%)	3.21	2.03
Total Debt/Tangible Net Worth	Times	1.15	1.46
PBDIT/Interest	Times	3.14	2.41

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>

- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Jul-2020	Cash Credit	Long Term	21.50	ACUITE BB (Indicative and Downgraded from ACUITE BB+)
	Term Loan	Long Term	7.37	ACUITE BB (Indicative and Downgraded from ACUITE BB+)
	Term Loan	Long Term	4.87	ACUITE BB (Indicative and Downgraded from ACUITE BB+)
	Term Loan	Long Term	5.29	ACUITE BB (Indicative and Downgraded from ACUITE BB+)
	Proposed Long Term Loan	Long Term	4.50	ACUITE BB (Indicative and Downgraded from ACUITE BB+)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Indicative)
23-Apr-2019	Cash Credit	Long Term	21.50	ACUITE BB+ (Indicative)
	Term Loan	Long Term	7.37	ACUITE BB+ (Indicative)
	Term Loan	Long Term	4.87	ACUITE BB+ (Indicative)
	Term Loan	Long Term	5.29	ACUITE BB+ (Indicative)
	Proposed Long Term Loan	Long Term	4.50	ACUITE BB+ (Indicative)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Indicative)
24-Mar-2018	Cash Credit	Long Term	21.50	ACUITE BB+ /Positive (Reaffirmed) (Outlook revised from Stable to Positive)
	Term Loan	Long Term	7.37	ACUITE BB+ /Positive (Reaffirmed) (Outlook revised from Stable to Positive)
	Term Loan	Long Term	4.87	ACUITE BB+ /Positive (Reaffirmed) (Outlook revised from Stable to Positive)

	Term Loan	Long Term	5.29	ACUITE BB+ /Positive (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	4.50	ACUITE BB+ /Positive (Reaffirmed) (Outlook revised from Stable to Positive)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE BB (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	7.37	ACUITE BB (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	4.87	ACUITE BB (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	5.29	ACUITE BB (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Withdrawn)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB (Withdrawn)

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About Acuité Ratings & Research:

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